

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of Adjustment of Rates)
of Licking Valley Rural Electric)
Cooperative Corporation)

Case No. 2016-00174

APPLICATION

Licking Valley Rural Electric Cooperative Corporation, (herein designated as “Licking Valley”) hereby makes application for an adjustment of rates, as follows:

1. Licking Valley informs the commission that it is engaged in the business of operation of a retail electric distributions system in portions of eight (8) counties in Kentucky and does hereby propose to adjust rates, effective September 08, 2016 in conformity with the attached schedule. In this proposed adjustment of rates, Licking Valley is proposing to increase its electric rates and one nonrecurring charge by \$1,562,659. [807 KAR 5:001, Section 14]
2. The name and post office address of the applicant is Licking Valley Rural Electric Cooperative Corporation, Inc., 271 Main St., P.O. Box 605, West Liberty, KY 41472. Licking Valley’s email address is psc@lvrecc.com. [807 KAR 5:001, Section 14(1)].
3. The Articles of Incorporation and all amendments thereto for Licking Valley were included in Case No. 92-496 [807 KAR 5:001, Section 14(2)].
4. The application is supported by a twelve-month historical test period ending October 31, 2015 and includes adjustments for known and measurable changes [807 KAR 5:001, Section 16(1)(a)1].
5. Licking Valley states the reasons the rate adjustment is required pursuant to 807 KAR Section 16(1)(b)1 are as follows:
 - a. Licking Valley’s last filed an increase in rates in the summer of 2009. Since then, Licking Valley has incurred increases in the cost of power, materials, equipment, labor, taxes, and other fixed and variable costs.
 - b. The financial condition of Licking Valley has deteriorated significantly during the test year while it is not meeting its mortgage requirements.

- c. Licking Valley had a Times Interest Earned Ratio (“TIER”) of 5.48X [a TIER of (0.99)X excluding G&T capital credits], for the test year ending November 30, 2015 and Operating Times Interest Earned Ratio (“OTIER”) of (0.1.06)X. Licking Valley is required under its mortgage agreement to maintain both a Net TIER of 1.25 and an OTIER of 1.10, based on an average of two best out of the three most current years.
- d. Licking Valley requests this rate adjustment in order to meet the terms of the mortgage agreement and to maintain its financial stability and integrity.
6. The Board of Directors of Licking Valley at its meeting on May 12, 2016, received the current financial condition of Licking Valley and the need for a rate adjustment to maintain the financial stability and integrity of the Cooperative. The Board of Directors adopted a motion directing the administrative staff and consultants to proceed with the necessary application and filings with the Public Service Commission to adjust the rates of Licking Valley. A copy of the motion is attached as Exhibit F.
7. Licking Valley is neither a limited partnership nor a limited liability company [807 KAR 5:001, Section 14(3) and Section 14(4)]. Licking Valley is authorized to do business in Kentucky.
8. Licking Valley files with this application a Certificate of Good Standing date within 60 days of the date of this application and attached as Exhibit A. [807 KAR 5:001, Section 14(2)].
9. Licking Valley does not conduct business under an assumed name [807 KAR 5:001, Section 16(1)(b)2].
10. The proposed tariff is attached as Exhibit B in a form that complies with 807 KAR 5:011 with an effective date not less than 30 days from the date of this application [807 KAR 5:001, Section 16(1)(b)3].
11. The proposed tariff changes, identified in compliance with 807 KAR 5:011, are shown by providing the present and proposed tariffs in comparative form on the same sheet, side by side, or on facing sheets, side by side, as Exhibit C [807 KAR 5:001, Section 16(1)(b)4a].
12. Licking Valley has given notice to its members of the filing of this application in accordance with 807 KAR 5:001, Section 17 by publishing a notice once a week for three (3) consecutive weeks in prominent manner in newspapers of general

circulation in Licking Valley's Service Territory, the first publication to be made no later than the date the application is filed with the Commission. A copy of the notice is attached as Exhibit D [807 KAR 5:001, Section 16(1)(b)5]

13. Licking Valley filed with the Commission a written notice of intent to file a rate application at least 30 days prior to filing this application. The notice of intent stated the rate application would be supported by a historical test period and was served upon the Office of the Attorney General ("OAG"), Utility Intervention and Rate Division is shown as Exhibit E [807 KAR 5:001, Section 16(2) and 807 KAR 5:001, Section 16(2)(a) and Section 16(2)(c)].
14. A complete description and qualified explanation for all proposed adjustments with proper support for any proposed changes in price or activity levels, and any other factors which may affect the adjustment, including a Revenue Analysis shown as Exhibit J. [807 KAR 5:001, Section (16)(4)(a)].
15. The prepared testimony of each witness supporting the application are attached as Exhibits H [807 KAR 5:001, Section 16(4)(b)].
16. A statement estimating the effect the new rates will have upon the revenues of Licking Valley, including, at a minimum, the total amount of revenues resulting from the increase or decrease and the percentage of the increase or decrease is shown by Exhibit G [807 KAR 5:001, Section 16(4)(d)].
17. The effect upon the average bill for each customer classification to which the proposed rate change will apply is shown by Exhibits I [807 KAR 5:001, Section 16(4)(e)].
18. An analysis of customers' bills in such detail that revenues from present and proposed rates can be readily determined for each customer class is shown by Exhibit J [807 KAR 5:001, Section 16(4)(g)].
19. A summary of the Cooperative's determination of its revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage or operating ratio, with supporting schedules is shown by Exhibit K [807 KAR 5:001, Section 16(4)(h)].
20. A reconciliation of the rate base and capital used to determine its revenue requirements is shown by Exhibit L [807 KAR 5:001, Section 16(4)(i)].
21. A current chart of accounts is shown by Exhibit M [807 KAR 5:001, Section 16(4)(j)].

22. The independent auditor's report is attached as Exhibit N [807 KAR 5:001, Section 16(4)(k)].
23. The Federal Energy Regulatory Commission or Federal Communications Commission have not audited Cumberland Valley and no audit reports exist [807 KAR 5:001, Section 16(4)(l)].
24. No Federal Energy Regulatory Commission Form 1 exists for Cumberland Valley [807 KAR 5:001, Section 16(4)(m)].
25. Licking Valley's last a depreciation study was as of December 31, 2007 and approved by this Commission in Case Number 2009-00016 [807 KAR 5:001, Section 16(4)(n)].
26. A list of commercially available or in-house developed computer software, programs, and models used in the development of the schedules and work papers associated with the filing of this application are attached as Exhibit O [807 KAR 5:001, Section 16(4)(o)].
27. No stock or bond offerings have been made by Licking Valley [807 KAR 5:001, Section 16(4)(p)].
28. Annual Reports to members for 2015 and 2014 are attached as Exhibit P [807 KAR 5:001, Section 16(4)(q)].
29. The monthly managerial reports providing financial results of operations for the twelve (12) months in the test period are attached as Exhibit Q [807 KAR 5:001, Section 16(4)(r)].
30. No Securities and Exchange Commission Annual Reports exist as for Licking Valley because it is not regulated by that regulated body [807 KAR 5:001, Section 16(4)(s)].
31. Licking Valley had no amounts charged or allocated to it by an affiliate or general or home office and did not pay monies to an affiliate or general or home office during the test period or during the previous three (3) calendar years [807 KAR 5:001, Section 16(4)(t)].
32. A cost of service study based on a methodology generally accepted within the electric industry and based on current and reliable data for the test period is attached as Exhibit R [807 KAR 5:001, Section 16(4)(u)].
33. Licking Valley is not a Local Exchange Carrier or Company as set forth in 807 KAR 5:001, Section 16(4)(v)].

34. A detailed income statement and balance sheet reflecting the impact of all proposed adjustments is attached as Exhibit S [807 KAR 5:001, Section 16(5)(a)].
35. No “proposed pro forma adjustments reflecting plant additions” exist or apply to Licking Valley [807 KAR 5:001, Section 16(5)(b) and Section 16(5)(c)].
36. The operating budget for each month of the period encompassing the pro forma adjustments is attached as Exhibit T [807 KAR 5:001, Section (16)(8)(d)].
37. Additional financial exhibits required by 807 KAR 5:001, Section 16, financial information covering twelve (12) month historical test period ending October 31, 2015, and other information required to be filed is attached by exhibits, as follows:

Exhibit U	By-Laws
Exhibit V	Detailed comparative income statement, statement of cash flows and balance sheet
Exhibit W	Schedule showing monthly comparison of balance sheet accounts from test year to preceding year.
Exhibit X	Monthly comparison on income statement accounts from test year to proceeding year
Exhibit Y	Trial Balance at end of test year
Exhibit Z	Capital structure
Exhibit 1	Adjustments for salaries and wages
Exhibit 2	Adjustments for payroll taxes
Exhibit 3	Adjustment for depreciation
Exhibit 4	Adjustment for property taxes
Exhibit 5	Adjustment for long term and short term interest
Exhibit 6	Adjustment for Pension Plan
Exhibit 7	Adjustment for donations
Exhibit 8	Adjustment for professional fees
Exhibit 9	Adjustment for director expenses
Exhibit 10	Adjustment for miscellaneous expenses
Exhibit 11	Adjustment for rate case costs
Exhibit 12	Adjustment for G&T capital credits
Exhibit 13	Adjustment for purchase power
Exhibit 14	Adjustment for normalized revenue

- Exhibit 15 Adjustment for end of year customers
- Exhibit 16 Adjustment for in returned check charge
- Exhibit 17 KAEC Statistical Comparison
- Exhibit 18 Capitalization policies
- Exhibit 19 Equity Management Plan

WHEREFORE, LICKING VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION applies and requests approval of the adjustment of rates as set forth in this application and issuance of an order approving and authorizing the new rates at the earliest possible date.

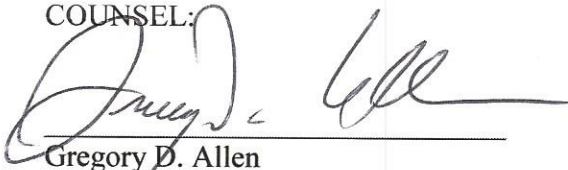
Dated: August 08, 2016.

Licking Valley Rural Electric Cooperative



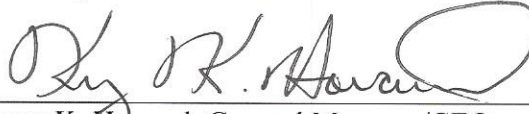
Kerry K. Howard
General Manager/CEO

COUNSEL:



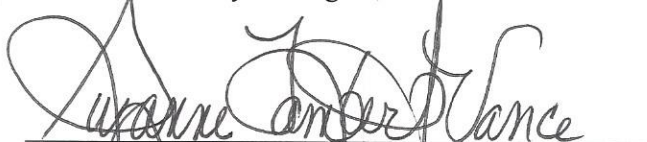
Gregory D. Allen
Attorney for Licking Valley Rural Electric Cooperative
gregallenlaw@foothills.net

I, Kerry K. Howard, General Manager/CEO, state that the statements contained in the foregoing application are true to the best of my information and belief.



Kerry K. Howard, General Manager/CEO
Licking Valley Rural Electric Cooperative

Subscribed and sworn to before me by Kerry K. Howard as General Manager/CEO of Licking Valley Rural Electric Cooperative this 08th day of August, 2016.



Notary Public, Kentucky State At Large
556518

My Commission Expires:

05/29/2020

